



April 14, 2013

Mr. Steve Franks, Director, Orange County Community Resources
County of Orange Successor Agency
1770 North Broadway
Santa Ana, CA 92706

Dear Mr. Franks:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Orange Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 8 – Required Financial Audits payable to the Orange County Auditor-Controller in the amount of \$41,000 is not eligible for funding on the ROPS. Because HSC section 34182 (e) allows the county auditor-controller to deduct their administrative costs from the Redevelopment Property Tax Trust Fund (RPTTF) prior to distributing tax increment to the Agency, this line item is not eligible for funding on the ROPS.
- Item Nos. 11, 12, and 14 – Various Professional Services contracts totaling \$750,000 are not obligations of the Agency. These contracts are between various third parties and the County of Orange. The former RDA is neither a party to the contract nor responsible for payment of the contract.

Additionally, it is our understanding that these contracts were executed to provide professional services for the Housing Development Program. HSC 34176 (a) (1) states, if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county or city and county. Since the Orange County Housing Authority assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these line items are not enforceable obligations and are not eligible for funding on the ROPS.

- Item Nos. 16 and 17 – Orange County Development Agency Tax Allocation Refunding Bonds, in the amount of \$973,495. It is our understanding the Agency has requested

funding for these obligations in line with the debt service payment schedules. The ROPS for 13-14A requests funding for a full year of debt service payments for these items in the amount of \$5,116,841; however, the interest payments requested, totaling \$973,495, are not due until March 2014. HSC section 34171(d)(1)(A) allows for a reserve, when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. While these items are enforceable obligations, the Agency has not provided sufficient documentation to indicate the next property tax allocation will be insufficient to pay all bond obligations due. Therefore, Finance is adjusting the requested funding for these line items by \$973,495 on this ROPS.

- Claimed administrative costs exceed the allowance by \$94,449. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$344,449 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$94,449 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$4,929,893 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,798,888
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 8	20,500
Item 11	37,500
Item 12	37,500
Item 14	50,000
Item 16	584,801
Item 17	388,694
Total approved RPTTF for enforceable obligations	\$ 4,679,893
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 4,929,893

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in

the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

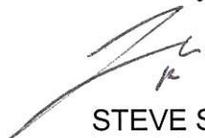
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Jeff Kirkpatrick, Administrative Manager
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office